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UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF NORTH CAROLINA  
WESTERN DIVISION

FILED

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NO. 5:03-CR-314-1F

NO. 5:03-CR-314-2F

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US DISTRICT COURT, EDNC  
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UNITED STATES OF AMERICA )

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CRIMINAL INFORMATION

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Fed. R. Crim. P. 7

JAMES CHARLES REIVES )

)

JACKIE DOBSON PRITCHETT )

)

THE UNITED STATES ATTORNEY CHARGES THAT:

BACKGROUND

At all times relevant hereto,

1. JAMES CHARLES REIVES, a resident of the Eastern District of North Carolina, was the co-founder and one of two general partners of Tri-Star Investment Group, L.L.C. (hereinafter referred to as "Tri-Star"). In that capacity, defendant REIVES marketed "high yield" investment opportunities to potential investors around the United States. REIVES further conducted sales seminars, managed investor monies, and communicated directly with investors and sales agents known as "facilitators." Defendant REIVES also purported to run businesses under the names of Walden International, Inc., and Isle of Kent Investments.

2. JACKIE DOBSON PRITCHETT, a resident of the Northern District of Georgia, was the office manager for Tri-Star. In that capacity, defendant PRITCHETT processed investor paperwork, deposited and disbursed investor funds, prepared and mailed account statements and other correspondence to investors and

facilitators, and addressed account errors. Defendant PRITCHETT further balanced at least some of Tri-Star's bank accounts and kept records for at least two bank accounts.

3. Tri-Star Investment Group, L.L.C. was represented to be a North Carolina limited liability company.

4. Tri-Star maintained offices and bank accounts in North Carolina, Georgia, and Texas.

5. Defendant REIVES maintained exclusive control over the Tri-Star bank account in Raleigh, North Carolina.

6. Facilitators were persons who acted as agents for Tri-Star, soliciting investors throughout the United States. Tri-Star had approximately 35 facilitators.

7. The Tri-Star investment program involved investment contracts, bank debentures and/or stock, and/or debt securities which are securities, as that term is defined in Section 2(a)(1) of the Securities Act [15 U.S.C. § 77b(a)(1)], Section 3(a)(10) of the Exchange Act [15 U.S.C. § 78c(a)(10)] and Section 202(a)(18) of the Advisers Act [15 U.S.C. § 80b-2(a)(18)].

8. Neither Tri-Star nor the defendants were registered with the Securities and Exchange Commission to sell securities.

9. Lazor, Ltd. is represented to be a foreign entity primarily controlled by defendant REIVES co-conspirator/general partner in Tri-Star. Lazor, Ltd. received assets from the fraud without any legitimate claim to the gains.

### FORMATION OF THE CONSPIRACY

10. Before Tri-Star's formation, defendant REIVES recruited investors for "Haven Quest" -- a prime bank securities fraud involving purported bank debenture trading programs founded by two Louisiana residents in October 1997.

11. Defendant REIVES first met his co-conspirator/general partner of Tri-Star in Antigua as early as late 1997, through another Haven Quest recruiter.

12. In or about November 1997, defendant REIVES and his co-conspirator/general partner of Tri-Star agreed to form Tri-Star Investment Group L.L.C., using the Haven Quest bank debenture program as a model.

13. On or about February 2, 1998, defendant REIVES and others signed the Articles of Organization of Tri-Star Investment Group L.L.C., for the purpose of forming a limited liability company under the laws of the State of North Carolina.

14. Beginning no later than February 1998, defendant REIVES, with the assistance of others, began soliciting investors for an investment scheme to be marketed by defendant REIVES and others. The investment program was represented to potential investors to involve a pool of funds that would be invested in a program to trade financial instruments, such as off-shore bank debentures, that would lead to twenty percent (20%) returns monthly with no risk to the principal invested. By late 1998, defendant REIVES and his co-conspirators also

represented that Tri-Star's international trade opportunities included initial public offerings, foreign currencies, commodities, precious metals, stocks, and the pay phone industry. In fact, there was no such investment program.

15. Around March 1998, REIVES and another co-conspirator hired defendant PRITCHETT, a Georgia resident, to help with Tri-Star's operations in an administrative capacity and, by May 1998, she was essentially acting as Tri-Star's office manager in Tri-Star's main office in Georgia.

16. Defendant PRITCHETT became the primary administrative contact at Tri-Star.

#### THE CONSPIRACY

17. Beginning in or about November 1997 and continuing up through and including December 2000, in the Eastern District of North Carolina and elsewhere, JAMES CHARLES REIVES and JACKIE DOBSON PRITCHETT, defendants herein, along with others both known and unknown to the United States Attorney, did knowingly, willfully, and unlawfully conspire, combine, confederate, and agree with each other and other persons, both known and unknown to the United States, to commit offenses against the United States, to wit:

A. Use of the mails for the purpose of executing a scheme and artifice to defraud, and for obtaining money by means of materially false and fraudulent pretenses, representations, and promises, in violation of Title 18, United States Code,

Section 1341;

B. Use of wire communications in interstate commerce for the purpose of executing a scheme and artifice to defraud, and for obtaining money by means of false and fraudulent pretenses, representations, and promises, in violation of Title 18, United States Code, Section 1343; and

C. Employment of a device, scheme, and artifice to defraud, obtaining money and property by means of untrue statements of material fact and misleading omissions of material facts, and engaging in transactions, practices, and a course of business which operated as a fraud and deceit upon purchasers, all in the sale of securities by the use of means and instruments of transportation and communication in interstate commerce and use of the mails, in violation of Title 15, United States Code, Sections 77q(a) and 77x.

#### OBJECTS OF THE CONSPIRACY

18. It was the purpose and object of the conspiracy for the co-conspirators to enrich themselves at the expense of their investors by offering, selling, and facilitating the offer and sale of, investments in a sham program in which the investments were supposedly fully secured and safe, and would supposedly generate extremely high rates of return over the short term.

#### MANNER AND MEANS OF THE CONSPIRACY

19. In furtherance of the conspiracy, defendants REIVES and PRITCHETT, along with others, employed the following ways and

means:

A. Defendant REIVES and other co-conspirators created Tri-Star through which to market the scheme to potential investors nationwide, and recruited other persons to act as agents in marketing the scheme to potential investors.

B. The defendants falsely represented to potential investors and agents that they had access to a privileged, private investment program which was not available to the general public.

C. The defendants and their agents had investors sign "non-solicitation" and "non-disclosure" agreements, and provided investors with an Application for Membership or an Application for Stock Purchase (an "Investor Application") and a Limited Partnership Agreement which contained minimal information concerning the nature of the investment. The investor and his or her facilitator generally signed the Investor Application and forwarded it by mail and/or through other means of interstate commerce, along with the investor's minimum initial investment of \$10,000, to Tri-Star, for acceptance by the defendants on behalf of Tri-Star.

D. The defendants falsely represented to investors and potential investors that their investments in the program marketed by the defendants would be virtually risk-free, with investors' funds fully secured by specific certificates of deposit issued to Tri-Star.

E. The defendants falsely represented to investors and potential investors that their investments in the program marketed by the defendants would generate a minimum guaranteed 20% return each month, after a 90-day waiting period in an alleged 13-month trading program, with potential profits of up to over 500% per year.

F. The defendants falsely represented to investors and potential investors that the trading program through which the profits were generated involved entities such as the International Monetary Fund, and the Federal Reserve Board, or had been approved by federal officials.

G. The defendants falsely represented to investors and potential investors that defendant REIVES and another co-conspirator had many years of experience with such trading programs; that they were highly knowledgeable about such programs; and that they and/or their clients had been financially successful through participation in such programs.

H. The defendants directed investors to move funds into bank accounts controlled by the defendants and their agents, by providing certified cashiers checks payable to entities controlled by the defendants or their agents, or by wire transferring funds into bank accounts controlled by the defendants which were in the name of such entities.

I. Between February 1998 and August 2000, the defendants received over \$16,675,000 from nearly 900 investors

in 37 different states in the United States.

J. Defendant Reives and other co-conspirators implemented a "ponzi" scheme, in which they paid investors a "return" on their investments from the funds which those and other investors had invested, and intended to mislead them into believing that their investments were profitable, at a time when they knew that no return on the investments was in fact being generated from any trading program.

K. It was further a part of the conspiracy to lull investors into a sense of security by the issuance of monthly account statements known to be false. The defendants prepared and mailed monthly Tri-Star account statements to investors and facilitators. The account statements for investors regularly showed earned "interest" of 20% per month after a 90-day waiting period, in some cases compounded, and the account statements for at least some of the facilitators showed earned commissions.

L. It was further a part of the unlawful conspiracy that defendant REIVES and another co-conspirator failed to disclose to investors that they lost the \$1 million in funds represented to have been invested in a bank debenture, and further failed to disclose to Tri-Star investors that they had previously lost over \$700,000 of Haven Quest investor funds in a scheme similar to the Tri-Star investment scheme.

M. It was further a part of the unlawful conspiracy that defendant REIVES and another co-conspirator used a



substantial portion of the investor funds for personal benefit. The co-conspirators used more than \$1,000,000 in investor funds for questionable expenses, including investor recruitment and international travel, and also caused the withdrawal or transfer of at least \$600,000 from Tri-Star investor funds for their personal benefit, for, among other things, purchasing four luxury cars for themselves and two other persons. In addition, defendant REIVES withdrew or caused the withdrawal of approximately \$1,700,000 from investors funds for his own personal use.

N. It was further a part of the unlawful conspiracy that, even after the North Carolina Securities Division notified the co-conspirators of an investigation in June 1999, the co-conspirators gave investors false and misleading information about the nature of the investigation in order to lull investors into inaction and to prevent further investigation of the scheme, including, but not limited to the following:

- i. In June and July 1999, Tri-Star, under the control of defendant REIVES and his co-conspirator, and with the assistance of defendant PRITCHETT, mailed letters to investors and/or facilitators falsely explaining delays in mailing account statements and paying investor profits.

- ii. One letter, dated July 14, 1999 and bearing the signatures of defendant REIVES and his co-

conspirator/general partner in Tri-Star, stated that the delays were due to legal guidelines for transferring funds offshore, and stated: "This delay is NOT a reflection of the financial status of the group, or administrative difficulties of our staff." The letter added that Tri-Star had decided to make disbursements quarterly, rather than monthly, and stated that the new procedure would "allow a substantial amount of wires to be sent through the months and even have an over abundance [sic] of funds available for posting." The letter also stated that the new procedures would "allow the Trades to mature without early withdrawal, and therefore receive the full benefit of a trade without being penalized." In fact, those statements were not true. Nothing in the July 14, 1999 letter disclosed an ongoing investigation of Tri-Star by the North Carolina Securities Division, or Tri-Star's lack of significant profits.

iii. In September 1999, Tri-Star, under the control of defendant REIVES and his co-conspirator, and with the assistance of defendant PRITCHETT, mailed a letter to investors and falsely represented that North Carolina had ordered Tri-Star to cease and desist activities. The co-conspirators further falsely

represented that the investors' principal was safe, but that Tri-Star's monies were frozen.

iv. The co-conspirators falsely represented to investors that Tri-Star would repay investors their principal plus 10% profits in a "most timely manner."

v. In October 1999, Tri-Star, through defendant REIVES and his co-conspirator/general partner, and with the assistance of defendant PRITCHETT, mailed investors a correction letter indicating that no cease-and-desist order had been issued, and falsely represented that Tri-Star intended to make a rescission offer "in the near future" to repay investors their principal plus 8% profits.

vi. In March 2000, the co-conspirators again falsely represented, in writing, to some investors that Tri-Star intended to make refunds, knowing that said refunds would never be made.

#### OVERT ACTS

20. In furtherance of the conspiracy, and to effect the object thereof, there were committed by at least one of the co-conspirators in the Eastern District of North Carolina at least one of the following overt acts, among others:

A. On or about February 27, 1998, defendant REIVES opened a commercial checking account at NationsBank, in Raleigh, North Carolina, in the name of Tri-Star Investment Group L.L.C..

B. On or about March 13, 1998, defendant REIVES rented a post office box at Mail Boxes, Etc., 5910-129 Duraleigh Road, Raleigh, North Carolina, in the name of Tri-Star Investment Group, L.L.C.. On the application, defendant REIVES listed an address of 1210-305 Westview Lane, Raleigh, North Carolina.

C. On or about May 11, 1998, defendant REIVES authorized a wire transfer from the Tri-Star Raleigh NationsBank account in the amount of \$400,000 to another company owned and operated by his co-conspirator/general partner.

D. In or about July 1998, defendant REIVES traveled to Henderson, North Carolina, to discuss the "investments" with potential investors.

E. On or about July 23, 1998, defendant REIVES obtained two official bank checks drawn on investor funds in the Tri-Star Raleigh NationsBank account and payable to Leith, Inc. in the amount of \$213,546.00 and \$90,689.60 respectively (total amount of \$304,235.60) to purchase, in the name of Lazor, Ltd., 1210-305 Westview Lane, Raleigh, North Carolina, 27605, the following automobiles:

- i. a 1999 Mercedes model S500V, VIN #WDBGA51G3XA421346, for a price of \$94,611.60;
- ii. a 1998 Mercedes model CL600, VIN #WDBGA76G8WA398097, for a price of

\$136,042.00; and

- iii. a 1997 Mercedes model SL320-95, VIN #WDBFA63F0VF151837, for a price of \$75,584.00.

F. On or about August 14, 1998, defendant REIVES used investors' funds in the amount of \$33,096.87 to purchase a 1998 Ford Expedition, VIN # 1FMRV17L5WLB53753, in the name of Lazor, Ltd., 1210-305 Westview Lane, Raleigh, North Carolina, 27605.

G. On or about August 28, 1998, defendant REIVES used investors' funds to purchase a 1998 Yamaha VMAX motorcycle VIN #JYA2WEE04WA069382. On or about December 5, 1998, defendant REIVES traded said Yamaha motorcycle for a 1999 Ducati Model 996 motorcycle, VIN #ZDM1SB5T1XB000668. Said Ducati was purchased under the name of Walden International, Ltd., 1210-305 Westview Lane, Raleigh, North Carolina.

H. On or about December 30, 1998, defendant REIVES executed a lease for 701-102 West Lane Street, Raleigh, North Carolina, in the name of Tri-Star Investment Group, L.L.C..

I. Between June 1998 and January 1999, defendant REIVES caused the following monies to be transferred by wire from the Tri-Star Raleigh NationsBank account to the Royal Bank of Scotland in Nassau, Bahamas:

	<u>DATE</u>	<u>AMOUNT</u>
i.	06/03/1998	\$4,000
ii.	07/01/1998	\$5,000

iii. 07/01/1998	\$1,500
iv. 07/16/1998	\$75,000
v. 07/22/1998	\$15,000
vi. 08/07/1998	\$10,000
vii. 08/26/1998	\$170,000
viii. 08/31/1998	\$102,000
ix. 09/14/1998	\$150,000
x. 10/20/1998	\$155,000
xi. 12/08/1998	\$200,000
xii. 01/27/1999	\$75,000

J. On or about March 4, 1999, the co-conspirators conducted a sales seminar at the Sheraton Hotel in New Bern, North Carolina, which was attended by approximately 250 investors/potential investors.

K. On or about March 6, 1999, the co-conspirators conducted a sales seminar at the Sheraton Hotel in New Bern, North Carolina, which was attended by investors/potential investors.

L. In or about September 1999, the co-conspirators caused letters to be mailed to investors all over the country, including the Eastern District of North Carolina, and falsely represented therein that North Carolina had ordered Tri-Star to cease and desist activities, that the investors' principal was safe; and that Tri-Star's monies were frozen.

M. Notwithstanding the representations that Tri-Star's monies were frozen, between September 7, 1999, and November 17, 1999, defendant REIVES made at least \$65,000 worth of counter withdrawals from the Tri-Star Raleigh NationsBank account at bank branches in the Eastern District of North Carolina as follows:

	<u>DATE</u>	<u>AMOUNT</u>
i.	09/07/1999	\$3,000
ii.	09/14/1999	\$5,000
iii.	09/27/1999	\$10,000
iv.	09/29/1999	\$5,000
v.	10/04/1999	\$5,000
vi.	10/07/1999	\$5,000
vii.	10/13/1999	\$5,000
viii.	10/14/1999	\$5,000
ix.	10/15/1999	\$5,000
x.	10/18/1999	\$5,000
xi.	10/20/1999	\$5,000
xii.	11/08/1999	\$5,000
xiii.	11/17/1999	\$2,000

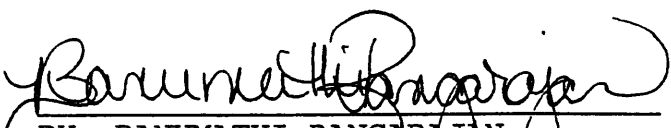
N. On or about March 15, 2000, the co-conspirators caused letters to be mailed to investors all over the country, including the Eastern District of North Carolina, and falsely represented therein that Tri-Star intended to make a rescission offer to repay investors their principal plus 8% profits.

O. On or about July 6, 2000, defendant REIVES opened bank account number 000685196287 at Bank of America in the name of "J. Charles Reives" and "Tri-Star Investment Group Account" with a deposit of \$100.

P. On or about August 4, 2000, defendant REIVES, with the assistance of defendant PRITCHETT, prepared over 850 checks to various investors. The checks were drawn on the J. Charles Reives/Tri-Star Bank of America account, described in Paragraph O above, and purported to be a refund to investors of their principal investment plus 8% interest. At the time, defendant REIVES knew that there was only \$100 in the Tri-Star bank account, and therefore, there were insufficient monies in the bank account to cover the checks. The checks, which were never mailed by defendant REIVES, were seized by law enforcement officers.

All in violation of Title 18, United States Code, Section 371.

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